



The Indian Retail Industry is one of the fastest growing industries over the past couple of years in the world as substantiated by the rankings achieved by it by Global Retail Development Index (GRDI). However, since the last quarter of 2008, the industry has been affected by various factors including slowing economic growth, high interest rates and the liquidity crunch, coupled with pressure on consumer discretionary expenditure. The industry was also affected by the high cost of real estate rents during much of calendar year 2008. Amid these pressures, most retailers have experienced a drop in footfall and demand, which in turn reflected in drop in store sales growth and greater time to break even for new stores. In a deteriorating macroeconomic climate, retailers are offering promotional offers to maintain volumes which would however drive down margins.

The first half of the year may be looked at as a period of stabilisation for the Retail Industry and a positive sentiment is being felt in the economy post the formation of a new Government and the buoyant stock market. This has

allowed retailers to reassess the positions taken up by them across the country for expansion of their stores as rentals values have rationalised and flexibility is being offered with regard to lease terms.

In the current economic scenario retailers in India are leaving no stone unturned in attracting customers to their stores. In particular, retailers have adopted a store-in-store approach to increase customer footfall. The advantage of having a store-in-store format is that it allows two different retailers to synergize their offerings, which can be mutually beneficial for the parties involved. Brands that set up the shop-in-shops gain more visibility, while at the same time they can cap their real estate costs.

Despite the global economic recession and a slowdown in the Indian economy, long-term growth in retailing in India is expected to stay on track, with India being one of the fastest growing retail markets in Asia-Pacific. With a stable Government and pro Retail Industry reforms, the year ahead and beyond promises to be a period full of opportunities for the Retail Industry.

NATIONAL CAPITAL REGION (NCR)

Market Summary

NCR continued to be the preference for retailers to consolidate their position in terms of new acquisitions and store closures for underperforming high rental stores. Retailer focus continued on prime micro markets like South Delhi, NH-8 Gurgaon and Central Delhi.

The mall cluster in the Saket District Centre, located in South Delhi, has emerged as one of the most prominent retail destinations for NCR in terms of organised retail space. Select CityWalk continues to attract high footfalls due to its positioning, brand mix and ongoing promotional activities. It continues to be a preferred destination for brands looking to make their retail foray into the country. Forever New's flagship store for North India is a key transaction that has taken place in this development. The DLF Place in Saket has created a distinct identity for itself through its foodcourt and popular F&B outlets. Hard Rock Cafe has launched their first outlet for Delhi NCR in this shopping centre. DKNY Accessories has also opened its first retail outlet here.

DLF Place, Vasant Kunj has become a launching pad for many first entrants into the country like Cinnabon; the leading cinnamon roll retailer in the world which operates and franchises more than 390 bakeries worldwide. It also marks the entry of a fine dining chain Taman gang into India. This is their second restaurant globally, the first being in Mayfair, London. Continuing to dominate the luxury retail segment in the country is India's first luxury mall – DLF Emporio in Vasant Kunj. Jimmy Choo, Fendi and Cartier among others have established their first boutique outlets in this mall recently.

Locations such as Khan Market and South Extension continue to be the preferred high streets and have witnessed significant leasing activity, the highlight being the entry of F&B players such as Café Oz and Amici and apparel brands such as Triumph, Adidas, etc.

PVR Blu-O, a partnership between the Thailand-based entertainment group Major Cineplex Group and PVR Cinemas opened its first large format 24-lane bowling alley at the Ambience Mall in Gurgaon this year. Blu-O has tremendously impacted the footfalls in the mall, especially the F&B zone.

Emerging as a trend in Gurgaon is the establishment of gyms in various large format malls and commercial developments by players such as Celebrity Fitness (JMD Regent Arcade) and Fitness First (Ambience Mall).

Rental Trends

Rentals in Delhi NCR have corrected further by approximately 10% over the levels witnessed in the second half of 2008; an overall drop of 20-40% from the levels witnessed in the beginning of 2008. Retailers believe that rentals have corrected to sustainable levels and that this period should be judiciously used to take up positions on favourable terms. Rentals are also being renegotiated to make retail operations financially viable. Further, most developers have adopted a renewed stance towards revenue share agreements, as opposed to earlier, when the demand situation was more favourable. A portion of the transaction activity that has taken place during the current year is based on minimum guarantee/revenue share models.

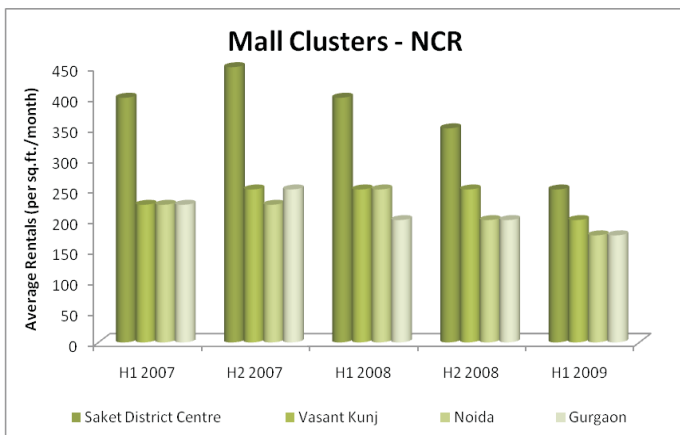
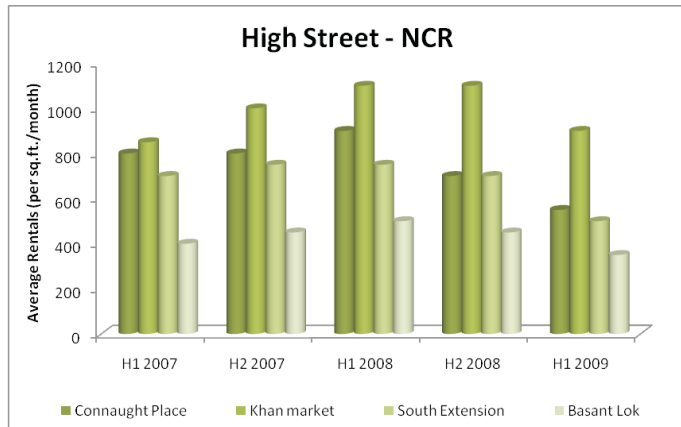
Organised retailers have commenced implementing their reworked/ revised location strategies, which is reflected by the increased level of transaction activity as well. Developers, on the other hand, have been consistent with the monitoring approach with respect to new projects and have been focussing on making the ongoing projects more successful.

High street rentals

High Street	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
Khan market	800 - 1000	1000 - 1200
South Extension	400 - 600	600 - 800
Basant Lok Connaught Place	300 - 400	400 - 500
Connaught Place	500 - 600	600 - 800

Organised retail

Mall clusters	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
Saket district centre	150 - 350	250 - 450
Vasant Kunj	150 - 250	200 - 300
Noida	125 - 225	150 - 250
Gurgaon	125 - 225	150 - 250



MARKET OUTLOOK

Prime High-streets and Mall Spaces continue to be the focus for expansion for retailers as the rentals in these spaces have corrected due to the reduced demand and high rental values. Newer retail concepts and formats are being introduced by Developers to fulfill consumer demand and differentiate their mall offering. New and planned mall developments have currently been put on hold until the demand scenario becomes clearer. Prominent and large malls in the suburbs still continue to be popular and a destination for retailers and consumers alike.

MUMBAI

Market Summary

The first half of 2009 saw a number of enquiries by retailers for spaces in prominent malls, like High Street Phoenix, Inorbit Mall, Oberoi Mall, and prime high street locations like, Colaba Causeway and Linking Road, in Mumbai. However, towards the first quarter of the year due to unrealistic rental expectations by landlords / developers there have been very limited spaces being transacted and occupied by retailers. The second quarter saw developers / landlords offering flexible commercial terms (minimum guarantee or revenue share model), resulting in a marginal increase in leasing activities.

In terms of organized grade A mall space, 2009 has seen Grand Galleria in Phoenix becoming operational with the opening of several new stores like Basecamp, Neutrogena, Natchmann, Lancôme, Tesoro, Be Home, Redmond, Ecoscapes, William Penn and more. Besides the R-City Centre in Ghatkopar launched its first phase with prominent brands like Celio, Jack & Jones, Mom and Me to name a few. Markets such as Borivali, Powai & Chembur have gained significance in recent times with enquiries by retailers.

Demand for malls space during the earlier months of the year had witnessed significant slowdown, fresh commitments from retailers were lower and the general mood among retailers was to bring about consolidation rather than expansion of their portfolio. High street seems to have gained more significance with many retailers enquiring about space availability on high street locations rather than malls. The slowdown has forced many retailers to re-negotiate rentals with developers/landlords of several malls/high street properties.

Rental trends

Supply of quality space on prime high street has been limited through the first half of 2009; rentals in these markets have seen corrections of around 10-15%. Many retailers are now taking the Minimum

Guarantee/Revenue Sharing route in opening new stores. High street landlords/developers are also open to this route vis-à-vis pure rental transaction.

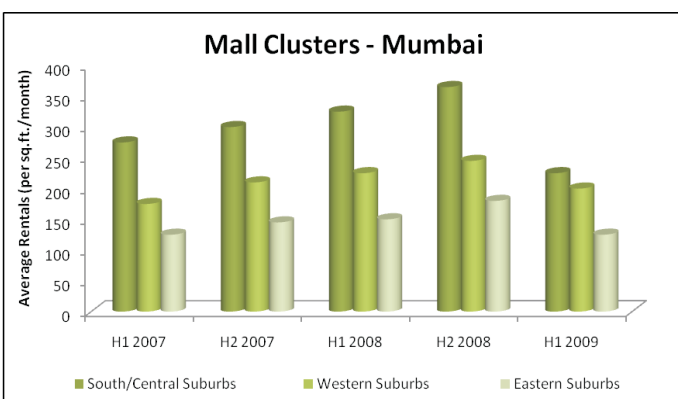
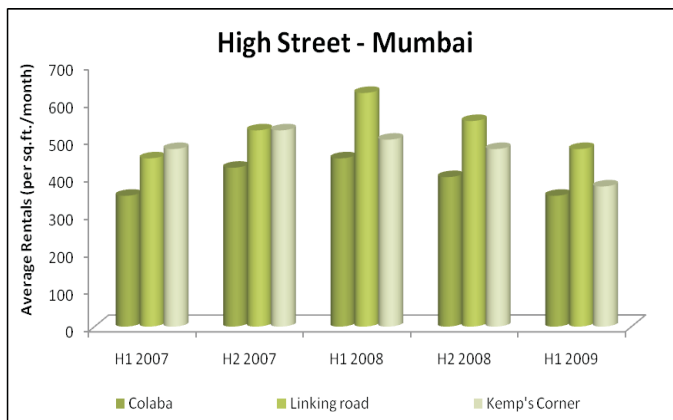
Developers continue to offer indirect sops to retailers in the form of Lower Security Deposit, Cap on CAM charges, in order to help retailers tide over the slowdown.

High street rentals

High Street	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
Linking Road	400 - 600	450 - 750
Kemp's Corner	350 - 450	450 - 550
Colaba Causeway	350 - 400	400 - 450

Organised retail

Mall clusters	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
South/Central Mumbai	175 - 300	325 - 380
Western Suburbs	130 - 210	200 - 250
Eastern Suburbs	100 - 150	150 - 175



MARKET OUTLOOK

Focus of retailers is primarily on prominent high street markets and grade A mall developments. In spite of rentals reducing to realistic levels in mall developments, retailers have tweaked the size of stores to ensure viability. Instead of flat rentals deals there will be increasing number of Minimum Guarantee and revenue share deals. A limited supply of mall space is expected with Phoenix's new Luxury destination- Palladium which is expected to be operational by December'09.

BANGALORE

Market Summary

The first six months of 2009 have witnessed a turnaround in the retail real estate landscape of Bangalore. Rising asking rates and high demands of the developers and landlords which were prevalent before the end of last year, have been replaced with more realistic and favourable rentals.

With banks tightening their lending norms and cash becoming very stringent, retailers had to wind up non performing stores and consolidate their holdings to become more streamlined and profitable. This move resulted in number of prime properties in excellent locations becoming vacant. While large players are staying away from these prime locations, smaller emerging retailers are stepping in and leasing out these locations which are favourable to them at current prices. Most of the larger players, who are still profitable, are expanding at a rapid pace in leasing out spaces in emerging markets and the high streets of tomorrow like New BEL Road, HSR Layout, Sarjapur Road, Rajarajeshwari Nagar, etc. at rock bottom values.

In relation to malls, with the tightening of credit and the the hit taken by the real estate sector in the slowdown, many retail developments which were to be launched in the market by Q1 of 2009 have slowed down their construction schedules and will now come into the market only by Q2, 2010. The velocity of deals taking place in malls under construction has also been very

minimal with many developers not seeing any finalization of new space so far this year. This is mainly due to the fact that retailers are now shying away from malls due to their enhanced delay in commitment deliveries; exorbitant CAM charges; discrepancy in zoning and tenant mix; and ambiguity in positioning and market stand, and prefer utilizing those funds in creating ready retail destinations on a high street with promise.

Rental trends

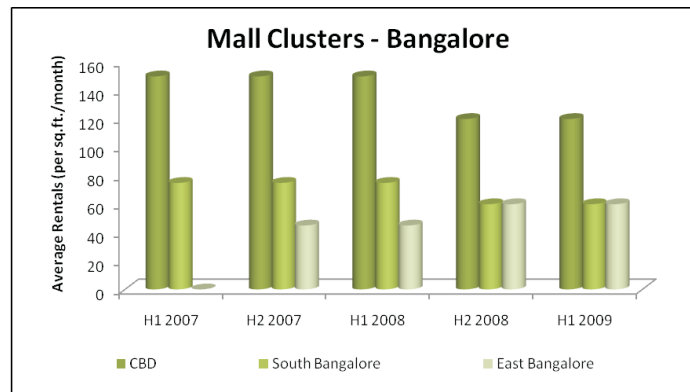
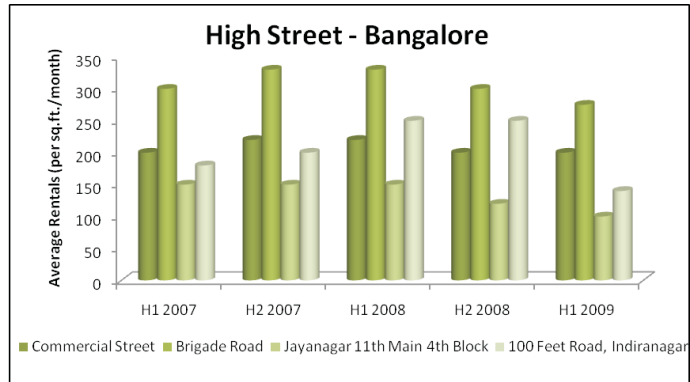
From commanding pure rentals, landlords and developers are now displaying an enhanced level of flexibility and willingness to not only negotiate on a more beneficial value but also participate with the retailer in a store's success by venturing into revenue share agreements, which are more commonly witnessed up north. There is in fact greater momentum in retail transactions when owners are willing to enter into these types of agreements with the retailers. The market norms of 10 to 12 months of security deposit is also slowly transitioning to a range of 6 to 8 months while CAM charges which was a big hindrance to retailers is now also a flexible option with many developers open to discuss a reciprocal proposition.

High street rentals

High Street	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
Commercial Street	180 - 220	200 - 250
Brigade Road	200 - 250	250 - 300
Jayanagar 11th Main, 4th Block	120 - 150	170 - 200
100 Feet Road, Indiranagar	110 - 140	170 - 190

Organised retail

Mall clusters	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
CBD	100 - 125	120 - 140
South Bangalore (Koramangala/ Jayanagar)	45 - 55	60 - 80
East Bangalore (Airport Road/ Ulsoor)	40 - 55	60 - 75



MARKET OUTLOOK

The market sentiment for the next half of the year appears to be very cautious with many of the top players yet to come out with concrete expansion plans for 2009. However, with a pro retail and stable government in place the future does look very bright but the immediate short term will have to be waded through before the new dawn in retail rises again.

HYDERABAD

Market Summary

The old CBD, which is characterized by various unorganized retail formats and infrastructural shortcomings is made up of areas like Abids, Liberty X Road, Basheer Bagh and S.D. Road. These are already congested and there is a limited scope for the supply of new retail space. The existing CBD has witnessed the significant growth in the presence of national & international retailers. Some of the prominent retail operators in this area are Lifestyle, Shopper Stop,

Pantaloons, Central, etc. This area has also witnessed the growth of high streets thanks to the surrounding upscale residential catchments and its proximity to the IT/ ITES hub. Lately, this market has experienced a limited supply of grade A retail space because of non availability of vacant land parcels. The third area which constitutes Banjara Hills (Road No. 1, 2, 10 & 12) and Jubilee Hills (Road No.36) is the emerging retail destination with presence of high street retail formats. This zone also has organized retail malls such as GVK One, City Center, Ashoka Metropolitan; etc which is the most sought after destination across Hyderabad. Inorbit Mall at Mindspace of approximately 550,000 Sft and presently under construction will take care of the retail requirements of the populace residing in Miyapur, Kukatpally, Madhapur and Kondapur, which surrounds the main hub of IT/ ITES activity. Newer malls planned in this area are Madhucon, RMJ, IJM, Lanco Hills Mall, etc.

Rentals of prominent high streets/malls

High Street/ Mall Clusters	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
Banjara Hills Road Nos. 1, 2 & 12	120 - 150	150 - 170
Jubilee Hills Road No. 36	130 - 170	150 - 170
Banjara Hills Road No. 1	60 - 65	65 - 69

MARKET OUTLOOK

Hyderabad didn't witness any new mall Supply this year. However, this town with a balanced blend of infrastructural improvements and supporting developments, is one of the main cities that leads in the advent of organized retail. While demand and space take up by retailers is sluggish at the moment, the newly launched and upcoming retail environments and developments will further enhance customer experience.

CHENNAI

Market Summary

Retail in Chennai is in a nascent stage. While it is developing at a faster pace, that pace is still lesser when compared to other cities like Bangalore and Pune. It's a city of strong culture and traditions and like other cities migrant populations are the drivers of Growth because of the the growth of IT and automobile opportunities in the city.

In past few years organised retail has experienced a tremendous growth in the city and rentals were increasing. A lack of quality supply and the prevalent mind set of the retailers has reduced the pace of retail growth in Chennai which otherwise would have been much superior. In the present scenario retailers have been cautious in finalizing the spaces and negotiations have been very strong from the demand side.

Rentals of prominent high streets/malls

High Street/ Mall Clusters	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
CBD	125 - 200	150 - 250
Chennai CBD (Nugambakkam/ T. Nagar/ Anna Nagar)	100 - 150	125 - 175
Vellachery	65 - 80	85 - 100

MARKET OUTLOOK

While high streets continue to be favored for retailers entering this market, Chennai will witness a vertical spurt in its retail experience when two upmarket positioned malls - Express Avenue and Ampa Mall come into the market towards the end of the year. With plenty of international brands across all categories to contend with the interest of this vastly untapped market, this city will continue to receive plenty of interest from players across the board.

KOLKATA

Market Summary

Value and mass retail segments continue to command a significant share of the market pie in Kolkata. Underperforming malls are witnessing a decrease in sales conversion ratio. There is increased pressure on sales to sustain rentals and retailers across the city are renegotiating their rentals.

Prominent Malls like Southcity Mall (Jadavpur), Forum Mall (Elgin Road) and City Centre I (Salt Lake) still continue to be popular retail destinations in the city and have witnessed a high occupancy level almost between 75 – 85%. High-streets like Elgin Road, Park Street and Camac Street continue to be the preferred locations for first time retail entrants into the city across categories.

Malls with affordable rentals and established catchments are seeing interest from retailers. However, due to the leasing activity getting restricted mostly to established malls, a lot of large and small retail projects that were lined up in the city are now witnessing delays owing to uncertainty over their viability, sustenance and the financial crunch faced by the developers.

Retail categories like service oriented banks, mobile and telecom companies continue to be bullish about the Kolkata market and considerable leasing transactions on prime highstreets, malls and IT Parks

were concluded by them. Also local F&B chains continued to expand in Kolkata as F&B sales remained buoyant.

Many large format retailers renegotiated the rentals with mall developers to make the operations sustainable. Mall Developers were seen to be flexible with rentals and revenue sharing models to support the retailers through this phase of low sales.

Rentals of prominent high streets/malls

High Street/ Mall Clusters	Average rental (Jan – June 09) INR per sq. ft./per month	Average rental (July – Dec 08) INR per sq. ft./per month
Park Street	200 - 250	225 - 275
Elgin Road	150 - 200	200 - 250
South City Mall	150 - 200	200 - 250

MARKET OUTLOOK

Certain malls in Kolkata with the right brand mix, positioning and catchment continue to be popular with the consumers. However, most malls in Kolkata have witnessed surging vacancy levels and the same would continue for the period ahead leading to increased pressure on the rentals. Many smaller organized retail developments would convert into office spaces to fill up the available spaces. Prominent High-streets still continue to be in demand but rentals have corrected in these markets and the same trend would continue.

MarketView India Office

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